

# Trust at the heart of the issue

## *Towards the building of trust organisations*

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This paper examines the role of trust in the shaping of rules and relationships within and between organisations. Firstly, we examine strands of literature on how trust constitutes an organising principle for intra- and inter-organisational trust levels to exist. Then we examine the downside of organisational trust when violated and not achieved. We then propose a model which examines the interplay between the developments of trust within and between organisations. Finally, we surmise by promoting explicitly the broader societal impact and relevance of organisational trust.

**Keywords:** trust, trust building, inter-organizational relationships, intra-organizational trust

### **Introduction**

Trust as a phenomenon has become very important in examining organisational rules and regulations. It is commonly defined as a psychological state which comprises the intention to accept vulnerabilities based on the positive expectations of another party (Rousseau et al.1998). While Gambetta (1998) contends that trust implicitly is an assessment that the trustee would perform an action that is beneficial and not detrimental for the trustor to engage in some form of cooperation with the trustee. However, a phenomenon as complex as trust requires an understanding of the underpinnings which reflect trust's many facets at intra-and inter-organisational levels. It has been increasingly affirmed that trust plays an important role in organisational relationships since it influences the behaviour of employees while leading to strategic alliances (Bromiley and Harris, 2006: Child ,2001). It is also argued that reliance on trust as a shared value would be possible when competence, honesty and integrity are present in a relationship (McEvily et al.2003: Ring and Van de Ven, 2006). For instance, individuals rely on trust in dealing with organisations, while inter-organisational relationships rely on trust in ensuring strategic alliances and networking.

In this paper, we seek to explore the role of trust in shaping organisational rules and regulations. We also aim to examine how trust is built by individuals and organisations. It is evident that the current global economy is dependent on effective collaborations between organisations. In the past decades, we have witnessed an increase in strategic mergers and crucial alliances within and across organisations. These organisations have come to understand that mutual trust is important to the development of relationships. As Mollering (2006) highlights that trust is a reflexive process of building on reason, routine and reflexivity thereby suspending all

irreducible uncertainties by maintaining a positive expectation towards the intentions of the other party. Organisations may relate to this by suggesting that the ‘suspension of uncertainties’ may expose them to more risks. To this aim, we draw on the definition of trust by Mayer *et al.* (1995) as the willingness to be vulnerable to the actions of another party based on positive expectations. This ‘willingness to be vulnerable’ parallels that of Mollering (2006) and Gambetta(1988) suggesting exposure to perceived risks and uncertainties . Nevertheless, trust building stabilizes these uncertainties (Bachman and Inkpen, 2011; Jones and Lichtensein,2008) by becoming an essential ingredient for strategic organisational alliances.

Futhermore, while formal contracts play an important role in setting organisational rules and performance milestones, it may actually not be enough. The fact that these contracts are often insufficient allows for trust to become a central mechanism in governing inter-organisational relationships. Child (2001) contends that an informal understanding which is hinged on trust proves to be more important in determining organisational relationships. It is therefore not surprising that although organisations value trustworthiness, the process of trust building, trust violation and trust repair remains under-researched. So what happens when expectations are not meant or where trust is violated? In this context, Zucker(1986) notes that distrust emerges when there is a suspicion of disruption in the shared expectations of interactions and expectations.

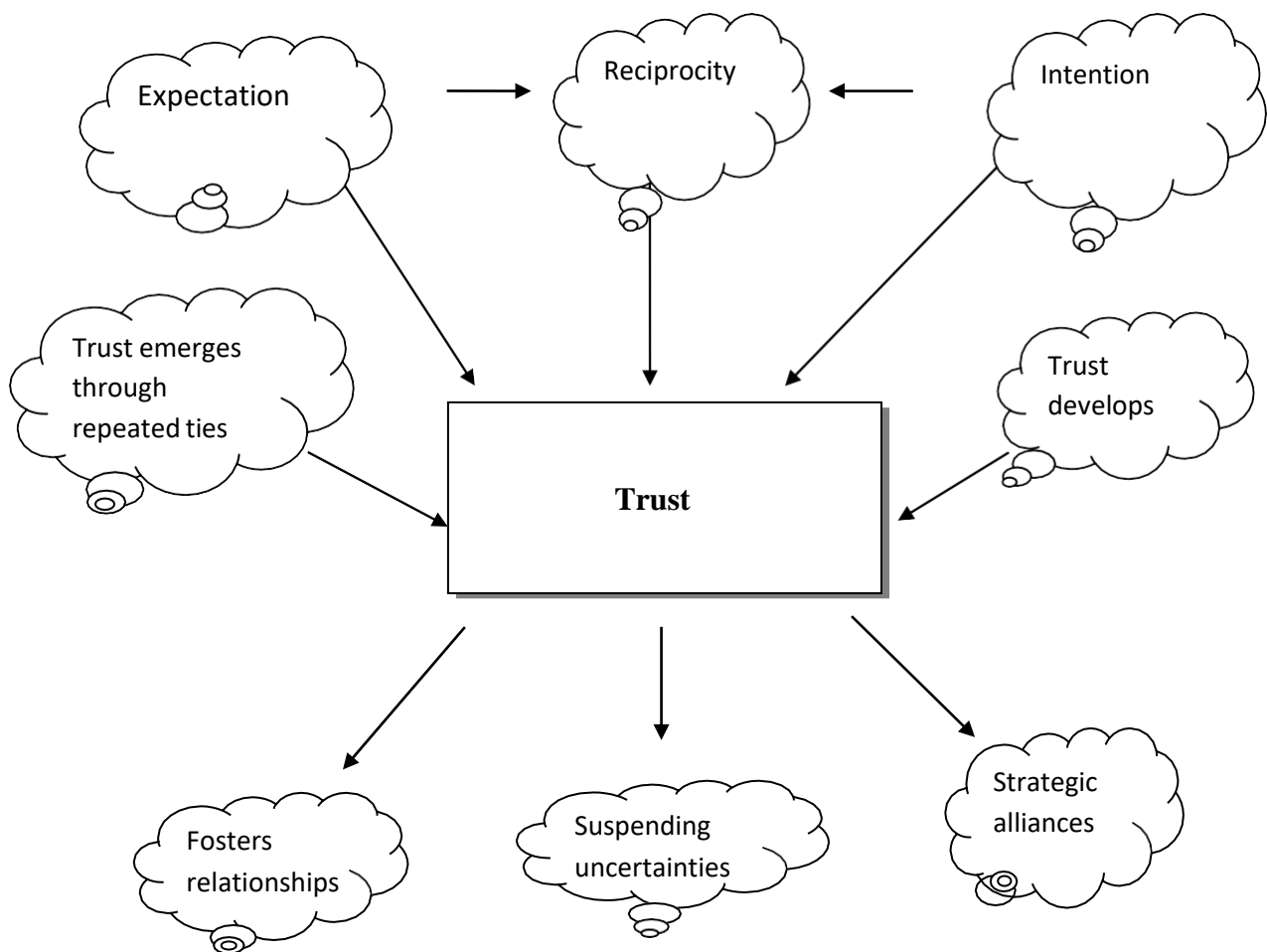
In the following, we aim to critically explore the organisational perspective of trust on one hand and the influences of trust building and repair processes on the other hand. We contend that the approach to this research would be useful in uncovering trust at organisational levels while also providing an opportunity to enrich our understanding of the relevance of organisational trust.

### **Building trust**

For the purpose of this paper, we view trust as an antecedent to successful inter-and intra-organisational relationships. We broadly perceive trust as an essential lubricant to organisational relationships which produces interlocking components of coordination that fosters the wheels of commerce (McKnight andChervany,2006). It is important to note that trust creates opportunities for strategic relationship by reducing uncertainties through a ‘*leap of faith*’ (Lewis and Weigert, 1985; Mollering,2006). By this, the ability to trust is dependent on the mutual security it provides through the suspension of inexplicable situations beyond our control (Mayer et al.1995). Consistent with this argument is the reciprocal element which underpins trust building (Welter,2012 ; Arino and de la Torre,1998). Along with the expectations about the intentions of the trustee, the reciprocal element signals that both parties expect a benevolent disposition which should not undermine the relationship (Rousseau et al.1998; Welter,2012).

Further, we agree that the building of trust organisations is predicated on the degree of personal embeddedness between parties, a positive historical cooperation and an observance of the norms of benevolence in these relationships. For instance, previous experience between organizations fosters trust building which is emergent through repeated ties (Gulati,1995; Mollering,2006).This view is further adopted by Ring and Vande Ven (1994) in which they interestingly argue that over time, informal psychological contracts compensate for formal contractual safeguards as reliance on trust develops. As such trust becomes important to promoting innovation within organizations (Jones and George, 1998) while ensuring the viability of long-term relationships (Morgan and Hunt, 1994) through strategic alliances (Zaheer *et al.*1998). The below diagram highlights the interplay between notions of reciprocity, optimistic expectations and benevolence in uncertain organisational environments. Trust in this setting, becomes an organising principle which suspends uncertainties and fosters strategic relationships.

**Elements of trust building**



In contrast, how can trust be created where there has been no previous historical tie between the trustor or the trustee? This is where the role of institutions matter. With regards to trust building, Bachman and Inkpen (2011) contend that both parties would have to refer to institutional safeguards before trust is developed. For instance, legal regulations can be used to build relationships on the basis of trust. However, while trust maintains a high degree of equilibrium in fostering relationship building, a divergence would definitely lead to the violation and possible termination of any form of relationship (Van de Ven and Ring, 2006). The case study which highlights the severity of contractual alliance between Nestle and Coke as researched by Arino and de la Torre (1998) further alludes to the fact that both parties saw their behaviour as non-benevolent and opportunistic. Ironically, while trust fosters relationships, builds strategic alliances and improves intra-and inter-organisational performance, the fundamental error of taking trust for granted has a detrimental effect.

### **Trust violation**

Trust violation occurs when the perceived expectations signal non-benevolence which undermines the relationship between both parties. The consequence of trust violation eventually leads to a reduction in trust and cooperation (Lewicki, 2006; Kramer, 1996). For example, inter-organisational relationships decline when one party perceives a violation of a contractual agreement. In an organisational context, Lewicki (2006) further contends that when employees perceive that their employer has violated the workplace psychological contract, distrust automatically sets in: leading to a reduced level of organisational behaviour and job performance. This argument is also consistent with Simons and McLean Parks (2000) who posit that managers who portray low integrity in words and actions affect the profitability of the organisation.

Nevertheless, when trust has been violated within an organisation context, how can it be repaired? Lewicki's work on trust presents one of the most important research contributions to trust violation and repair. He posits that when trust is violated, the trustor often pursues actions to repair or restore the violated trust. In this instance, apologies for which the violator accepts responsibility for his actions are in most cases very effective than when the violator continues to trade blame. The apologies are also more effective when they are made quickly, sincerely and fully accepted. However, the process of rebuilding trust may not be as easy as the initial process of trust building. It would now involve an increased effort for both parties to re-build trustworthiness, benevolence and dependability which can only occur over time. Hence, although trust rebuilding may be necessary for conflict resolutions and sustaining relationships in the long run, trust management may be the most effective strategy to avoid catastrophic effects for organisations.

## **Towards a model for building and sustaining inter- and intra-organizational trust**

While we move our discussions towards a model for trust in the shaping of rules and relationships within and between organizations, we have inter-alia highlighted the difficulties in rebuilding trust after it must have been violated. The difficult process of repairing trust suggests that it is more appropriate to sustain trust within organisational contexts. As this is a developmental paper, a full paper would highlight what remains to be determined in examining the interplay between trust building and violation within and between organisations. In this short paper, we have highlighted two important facets in inter-organizational relationships while probing the associated elements of expectations, reciprocity, intentions and dispositions. Nevertheless, we expect to offer more insights by looking at the broader societal outcomes of organisational trust.

Our approach to this discussion would aim to highlight how trust can be sustained, while improving some complex underpinnings of the literature on trust repair. In addition, while the full paper will aim to present a framework of the role of trust, trust violation and repair in inter- and intra-organizational relationships, we posit that more work is required to examine the role of institutions in trust development and how institutional-based trust influences behaviour in relationships. Conversely, the issue of conflicts and trust violations in inter-organizational research poses a challenge for organisations as trust violations and opportunistic tendencies have a negative effect on sustaining relationships. While the resolution is in most cases very difficult to achieve, it is hardly forgotten and causes a strain on future relationships (Lewicki, 2006). We aim to unravel this by examining the importance of trust while proposing solutions for trust repair in this context.

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